

1971

DECEMBER 31, 1971

**MID INDUSTRIES
AND EXPLORATIONS LIMITED**

(Formerly Mid Chibougamau Mines Ltd.)
(No Personal Liability)

16th ANNUAL REPORT

MID INDUSTRIES AND EXPLORATIONS LIMITED

(Formerly Mid Chibougamau Mines Limited)

(No Personal Liability)

DIRECTORS W. G. Dingwall Toronto, Ont.
 S. McKeough Cedar Springs, Ont.
 N. M. Shaw Toronto, Ont.
 J. R. Shemilt Willowdale, Ont.
 H. S. Tennant London, Ont.

OFFICERS W. G. Dingwall President
 J. R. Shemilt Financial Vice-President
 M. J. Whitty Secretary-Treasurer
 Miss Edith Graf Asst. Secretary-Treasurer

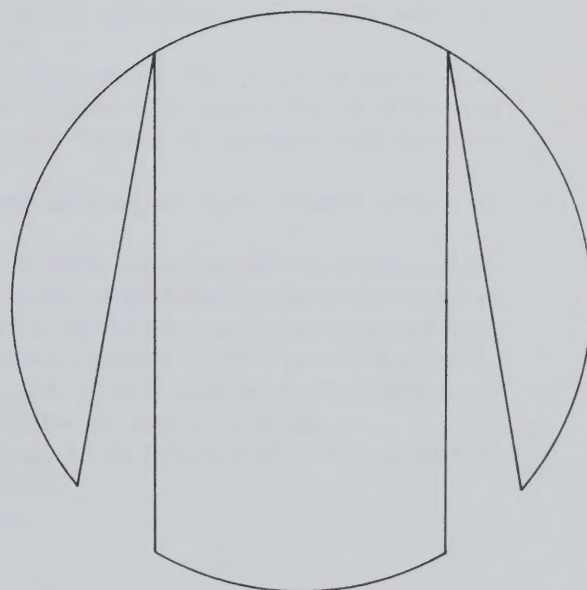
HEAD OFFICE Suite 1010, 615 Dorchester Blvd. West
 Montreal 101, Quebec

EXECUTIVE OFFICES 110 Church Street
 Toronto 210, Ontario


CO-TRANSFER AGENTS ROYAL TRUST COMPANY
AND REGISTRAR 630 Dorchester Blvd. West, Montreal, Quebec
 ROYAL TRUST TOWER – P. O. Box 7500
 Station "A", Toronto 116, Ontario.

AUDITORS CLARKSON, GORDON & CO.
 Box 251, Toronto-Dominion Centre
 Toronto 111, Ontario.

LISTED Canadian Stock Exchange



The Annual Meeting of the Company will be held in the Conference Room No. 1111, Windsor Hotel, Montreal, P.Q. on Thursday June 1st, 1972 at 11:00 o'clock in the forenoon (Eastern Daylight Saving Time).



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REPORT OF THE PRESIDENT

To the Shareholders of
MID INDUSTRIES AND EXPLORATIONS LIMITED
(Formerly Mid Chibougamau Mines Ltd.)
(No Personal Liability)

Many changes have taken place in the affairs of your Company during the 8 month period ending December 31, 1972.

As reported previously, the sale of our investment in Red Barn System (Western) Limited was anticipated, but in fact was not concluded because financing arrangements could not be made. It was therefore decided to continue the operation under an arrangement which would not involve any future cash outlays on the part of the Company. As the future of this endeavour is uncertain, it was decided to write down our investment to a nominal amount with the view to selling our interests as soon as arrangements can be concluded.

During the year the operations of Societe Francaise de Cosmetologie Ltee were phased out and the investment in these operations was eliminated.

The Company completed the acquisition of Dingwall Ford Sales Limited and Windsor Car Rentals Limited as referred to in last year's report.

Our involvement in the sales and servicing of automobiles and trucks was expanded at the beginning of September with the addition of Sherway Ford Truck Sales of Toronto. These operations have proven to be very profitable for the Company. It is anticipated that further progress will be made in this area in 1972 as plans to this effect are presently under consideration by Management.

It should be mentioned that many potential acquisitions were investigated in the past few months, including some proposals in the resource field. Along with certain tax carry-forward situations, the Company has also over the years accumulated exploration and development expenditures which can be utilized to advantage in the future, providing a proper situation is available.

The financial position of the Company shows a working capital position of \$1,067,118 at December 31, 1971, which is an increase of \$662,590 since the last report. This has come about as a result of operating profits from our acquisitions during 1971 along with long-term financing arrangements which have been negotiated.

It is anticipated that the cash-flow during 1972 will put the Company in an excellent position for further expansion.

Because of the change in year-end, the discontinuance of certain operations and the inclusion of the Sherway results for only four months of the eight month period, consolidated pro-forma statements of profit and loss, and source and application funds, showing what the operating results and source and application of funds would have been for a full 12 month period ended December 31, 1971 have been included.

I would like to thank our Directors, our management and our staff generally for their efforts and support in the past and would ask their continued efforts to achieve our goals in the future.

Enclosed is the notice of the Annual Shareholders' Meeting, and we look forward to your attendance. If you are unable to attend in person, a form of Proxy is enclosed.

Respectfully submitted on behalf of the Board of Directors.

March 7, 1972

W. G. DINGWALL
President

MID INDUSTRIES AND EXPLORATIONS LIMITED

(formerly Mid Chibougamau Mines Ltd.)

(No Personal Liability)

(Incorporated under the Quebec Mining Companies Act)

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1971

(with comparative figures at April 30, 1971 and April 30, 1970)

ASSETS

	December 31, 1971	April 30, 1971	April 30, 1970
Current:			
Cash and interest bearing deposits	\$ 269,460	\$278,036	\$169,510
Marketable securities, at estimated market value which is less than cost	95,024	95,700	369,220
Accounts receivable	773,822	16,417	3,873
Notes receivable, vehicles	941,933		
Inventories of vehicles and service parts, at the lower of cost and estimated realizable value (note 4)	2,049,028	30,800	28,400
Income taxes recoverable (note 8)	196,987		
Prepaid expenses	22,116	1,751	1,552
Total current assets	<u>4,348,370</u>	<u>422,704</u>	<u>572,555</u>
Fixed — at cost:			
Lease vehicles (note 7)	1,968,768		
Furniture and fixtures, equipment and leasehold improvements	528,288	53,033	25,448
	<u>2,497,056</u>	<u>53,033</u>	<u>25,448</u>
Less accumulated depreciation and amortization	695,987	12,080	1,547
	<u>1,801,069</u>	<u>40,953</u>	<u>23,901</u>
Other:			
Due from a director (note 5)	66,250	66,250	71,250
Deferred research and development expenses at cost less accumulated amortization		51,733	62,762
Investment in 51 per cent owned subsidiary, Red Barn System (Western) Limited at nominal value (note 1)	1	90,000	153,306
Mining claims at nominal value (note 8)	1	1	1
Excess of cost of shares acquired over fair value underlying net assets of subsidiary companies at date of acquisition	739,509		
Total other assets	<u>805,761</u>	<u>207,984</u>	<u>287,319</u>
	<u><u>\$6,955,200</u></u>	<u><u>\$671,641</u></u>	<u><u>\$883,775</u></u>

(see accompanying notes)

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 1971	April 30, 1971	April 30, 1970
Current:			
Accounts payable and accrued liabilities	\$ 463,118	\$ 16,807	\$ 25,994
Customer deposits and advances	40,779		
Income and other taxes payable (note 8)	136,125	1,369	1,026
Due to Dinvest Management Limited (including current portion of long term debt) — parent company	64,207		
Lien notes (note 6)	2,503,318		
Deferred revenue			2,476
Current portion of long term liabilities (note 7)	73,705		
Total current liabilities	3,281,252	18,176	29,496
Long term liabilities (note 7):			
Due to Dinvest Management Limited — parent company	221,140		
Other	2,207,457		
Net long term liabilities	2,428,597		
Deferred income taxes	226,800		
Shareholders' equity:			
Capital stock —			
Authorized:			
5,000,000 common shares of \$1 par value each			
Issued:			
5,000,000 common shares (note 9)	5,000,000	3,525,007	3,525,007
Less discount on shares	2,568,743	1,503,750	1,503,750
	2,431,257	2,021,257	2,021,257
Deficit (statement 2)	(1,412,706)	(1,367,792)	(1,166,978)
Net shareholders' equity	1,018,551	653,465	854,279
	\$6,955,200	\$671,641	\$883,775
On behalf of the Board:			
Director: W. G. Dingwall			
Director: J.R. Shemilt			

(see accompanying notes)

MID INDUSTRIES AND EXPLORATIONS LIMITED

CONSOLIDATED STATEMENT OF DEFICIT

FOR THE EIGHT MONTHS ENDED DECEMBER 31, 1971

(with comparative figures for the twelve months ended April 30, 1971 and April 30, 1970)

	December 31, 1971	April 30, 1971	April 30, 1970
Deficit, beginning of period, as previously reported	\$1,367,792	\$1,166,978	\$1,446,380
Combined income of Dingwall Ford Sales Limited and Windsor Car Rental Limited for the 4 months ended April 30, 1971 (note 11)	40,742		
Deficit, beginning of period as restated	1,327,050	1,166,978	1,446,380
Profit (loss) for the period (statement 3)	(85,656)	(200,814)	279,402
Deficit, end of period	<u>\$1,412,706</u>	<u>\$1,367,792</u>	<u>\$1,166,978</u>

(See accompanying notes)

AUDITORS' REPORT

To the Shareholders of
Mid Industries and Explorations Limited
(No Personal Liability):

We have examined the consolidated balance sheet of Mid Industries and Explorations Limited (no personal liability) as at December 31, 1971 and the consolidated statements of income, deficit and source and application of funds for the eight months then ended and have obtained all the information and explanations we have required. Our examinations included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us, and as shown by the books of the company, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of the consolidated affairs of the companies as at December 31, 1971 and the consolidated results of their operations and the consolidated source and application for their funds for the eight months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year as restated.

We have also reviewed the application of the pro forma adjustments to the historical consolidated statements of profit and loss and source and application of funds for the eight months ended December 31, 1971 and, in our opinion, they have been properly applied on the basis described in note 14.

Toronto, Canada,
March 7, 1972

Chartered Accountants

Clarkson Gordon & Co.

MID INDUSTRIES AND EXPLORATIONS LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS
AND CONSOLIDATED PRO FORMA STATEMENT OF PROFIT AND LOSS
FOR THE EIGHT MONTHS ENDED DECEMBER 31, 1971
(with comparative figures for the twelve months ended April 30, 1971 and April 30, 1970)

	8 months December 31, 1971	12 months April 30, 1971	12 months April 30, 1970	Pro Forma for the 12 months ended December 31, 1971 (note 14)
Sales and other revenue	<u>\$10,482,362</u>	<u>\$ 107,778</u>	<u>\$ 651,708</u>	<u>\$18,198,868</u>
Costs and expenses:				
Cost of sales and expenses exclusive of the undernoted items	9,918,791	229,467	267,970	17,283,823
Depreciation and amortization — Lease units	242,585			327,630
Equipment and leasehold improvements	60,157	11,037	1,547	73,583
Interest on long term debt	<u>118,686</u>			<u>161,408</u>
	<u>10,340,219</u>	<u>240,504</u>	<u>269,517</u>	<u>17,846,444</u>
Profit (loss) from operations	<u>142,143</u>	<u>(132,726)</u>	<u>382,191</u>	<u>342,424</u>
Deferred development and general administrative expenses written off			78,963	
Cost of mining claims written off			<u>23,826</u>	
Profit (loss) before income taxes and extraordinary items	142,143	(132,726)	279,402	342,424
Income taxes (note 8)	<u>81,725</u>			<u>171,212</u>
Profit (loss) before extraordinary items	60,418	(132,726)	279,402	<u>171,212</u>
Extraordinary items:				
Provision for loss on investment in 51 per cent interest in Red Barn System (Western) Limited (note 1)	89,999	68,088		
Loss on discontinuance of operations of subsidiary company (note 12)	<u>56,075</u>			
Profit (loss) for the period	<u>\$ (85,656)</u>	<u>\$ (200,814)</u>	<u>\$ 279,402</u>	
Profit (loss) per share (note 15):				
Before extraordinary items	<u>\$0.01</u>	<u>\$(0.04)</u>	<u>\$0.08</u>	
For the period	<u>\$(0.02)</u>	<u>\$(0.06)</u>	<u>\$0.08</u>	

(See accompanying notes)

MID INDUSTRIES AND EXPLORATIONS LIMITED

(formerly Mid Chibougamau Mines Ltd.)

(No Personal Liability)

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
AND PRO-FORMA CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION FUNDS

FOR THE EIGHT MONTHS ENDED DECEMBER 31, 1971

(with comparative figures for the twelve months ended April 30, 1971 and April 30, 1970)

	8 months December 31, 1971	12 months April 30, 1971	12 months April 30, 1970	Pro-Forma for the 12 months ended December 31, 1971 (note 14)
Source (use) of funds:				
From operations —				
Net profit (loss) for the period	\$ (85,656)	\$ (200,814)	\$ 279,402	\$ 171,212
Deduct (add) charges to profit (loss) not resulting in an outlay of funds:				
Depreciation	60,157	11,037	(1,547)	(73,583)
Write down of investment in Red Barn System (Western) Limited (note 1)	89,999	63,306		
Deferred research and development costs written off	51,733	12,935		
Deferred income taxes	226,800			(226,800)
Cost of mining claims written off			(23,826)	
Loss on disposal of fixed assets	16,873	3,863		
Depreciation on lease units	242,585			(327,630)
Deferred development and general and administrative expenditures written off			(78,963)	
	688,147	91,141	(104,336)	(628,013)
Net funds provided by operations	602,491	(109,673)	383,738	799,225
Share capital issued (net of discount)	410,000		71,250	
Increase in long term debt — net	2,428,597			982,642
Combined income of Dingwall Ford Sales Limited and Windsor Car Rental Limited for the 4 months ended April 30, 1971 (note 11)	40,742			
Total sources of funds	3,481,830	(109,673)	454,988	1,781,867
Application of funds:				
Non-current assets of Societe Francaise de Cosmetologie Ltee at date of acquisition			78,340	
Amount due from director on purchase of shares (note 5)		(5,000)	71,250	
Investment in Red Barn System (Western) Limited			153,306	
Additions to fixed assets (net)	2,079,731	31,952	9,870	872,800
Excess of cost over fair value of underlying net assets at date of acquisition	739,509			
Deferred research and development expenses		1,906		
Total application of funds	2,819,240	28,858	312,766	872,800
Increase (decrease) in working capital	662,590	(138,531)	142,222	\$ 909,067
Working capital, beginning of period	404,528	543,059	400,837	
Working capital, end of period	\$1,067,118	\$ 404,528	\$ 543,059	

(See accompanying notes)

MID INDUSTRIES AND EXPLORATIONS LIMITED

(formerly Mid Chibougamau Mines Ltd.)

(No Personal Liability)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1971

1. Principles of consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries, Societe Francaise de Cosmetologie Ltee, Pierre de Paris Limited, Windsor Car Rental Limited, Sherway Ford Truck Sales Limited and Dingwall Ford Sales Limited.

Dingwall Ford Sales Limited and Windsor Car Rental Limited were acquired effective January 1, 1971 and are included as of May 1, 1971 on the following basis:

Consideration for acquisition:

Cash		\$ 240,000
Common shares — net of discount		410,000
		<u>\$ 650,000</u>

Allocated as follows:

Assets —		
Working capital	483,360	
Fixed assets net of accumulated depreciation	940,652	
Excess cost over fair value of		
underlying net assets at date of acquisition	<u>481,509</u>	\$1,905,521
Debt — long term		1,255,521
		<u>\$ 650,000</u>

Sherway Ford Truck Sales Limited was acquired effective September 1, 1971 on the following basis:

Consideration for acquisition:

		\$
Short term loan		342,000
Long term loan		258,000
		<u>\$ 600,000</u>

Allocated as follows:

Assets —		
Working Capital	326,667	
Fixed assets net of accumulated depreciation	73,030	
Other assets	19,447	
Excess of cost over fair value of underlying		
net assets at date of acquisition	<u>258,000</u>	\$ 677,154
Debt — long term		77,154
		<u>\$ 600,000</u>

The accounts of Red Barn System (Western) Limited have not been consolidated with those of the company because the company plans to discontinue its 51 per cent interest in this company in the near future. The company's share of the unaudited operating loss of Red Barn System (Western) Limited for the eight months ended December 31, 1971 was approximately \$12,000 and the accumulated losses from date of acquisition amounted to approximately \$35,000 at December 31, 1971. The investment has been written down to a nominal value and the provision for loss has been treated as an extraordinary charge. The provision for loss in 1970 has been reclassified to compare with this treatment. As a result of the reclassification, the 1970 loss before extraordinary item has been reduced by \$68,088 (\$0.01) per share.

2. Change of name

During the current period the company applied for and received from the Provincial Secretary of the Province of Quebec permission to change the company's name from Mid Chibougamau Mines Ltd. (No Personal Liability) to Mid Industries Limited (No Personal Liability) and then from Mid Industries Limited (No Personal Liability) to Mid Industries and Explorations Limited (No Personal Liability).

3. Change of year-end

During the period the company changed its fiscal year-end from April 30 to December 31, effective December 31, 1971.

4.Inventory	December 31, 1971	April 30, 1971	April 30, 1970
New vehicles	\$1,457,589		
Used vehicles	245,113		
Parts, accessories, supplies and other	346,326	\$ 30,800	\$ 28,400
	<u>\$2,049,028</u>	<u>\$ 30,800</u>	<u>\$ 28,400</u>

5. Due from a director

During the year ended April 30, 1970, 125,000 shares were issued to a director and officer of the company for \$71,250 (at a discount of \$53,750 from their aggregate par value). These shares are presently being held in escrow pending payment therefor. In accordance with the terms of an agreement under which the shares were issued, and subsequent amendments thereto, an instalment payment of \$5,000 was received on April 30, 1971 further instalments of \$5,000 are due on April 30 in each of the years 1972 to 1974 inclusive and the balance of \$51,250 is to be settled on April 30, 1975.

6. Notes Payable

The lien notes payable totalling \$2,503,318 are secured by liens on specific new vehicles and company and service vehicles.

7. Long term debt

	Current	Long-term	Total
Due to parent company —			
Dinvest Management Limited at 7%			
with principal payments of \$36,860			
per annum	\$ 36,860	\$ 221,140	\$ 258,000
Other —			
Bank loan, at the prime bank rate plus 1-1/2%			
with principal payments of \$24,000			
per annum	24,000	52,000	76,000
Conditional sales contracts at varying			
interest rates and maturities	23,705	138,766	162,471
Debenture, at 8-1/2% due 1976	14,000	284,783	298,783
Debenture, at the prime bank rate plus 1-1/2%			
with 13,000 due in 1973 and balance due in 1974	12,000	288,000	300,000
Lien notes on leased vehicles, at varying			
rates of interest and maturities		1,443,908	1,443,908
	<u>73,705</u>	<u>2,207,457</u>	<u>2,281,162</u>
	<u>\$ 110,565</u>	<u>\$2,428,597</u>	<u>\$2,539,162</u>

The five year principal payment requirements on other than lien notes on leased vehicles are as follows:

	1972	1973	1974	1975	1976
Principal repayments	<u>\$110,565</u>	<u>\$113,862</u>	<u>\$369,752</u>	<u>\$ 75,241</u>	<u>\$283,062</u>

Lien notes on leased vehicles maturing in 1972 and subsequent years are offset in each year by payments due on lease agreements with customers and by anticipated proceeds on the sale of lease vehicles in cases where the lease agreement expires in the year and accordingly lien notes on leased vehicles maturing in 1972 are not recorded in current liabilities.

The five year principal repayment requirements on existing lien notes on lease vehicles are as follows:

	1972	1973	1974	1975	1976
Principal repayments	<u>\$589,381</u>	<u>\$499,000</u>	<u>\$270,000</u>	<u>\$ 85,527</u>	<u>Nil</u>

Long-term debt is secured by substantially all of the assets of the company and its subsidiaries.

8. Income taxes

The company follows the tax allocation principle of providing for income taxes. Accordingly deferred income taxes are provided with respect to depreciation claimed for tax purposes in excess of depreciation recorded in the accounts.

Current years' losses in certain subsidiary companies have been carried back against the prior year's income resulting in a recovery of taxes previously paid. Prior years' losses in subsidiary companies which have not been applied to produce income taxes recoverable amount to \$212,451. The company also has written off exploration and development expenses amounting to \$550,000, which may be deducted for tax purposes in a year in which the company's principal business is mining production and gas, or certain related activities. In addition these expenses may be deducted from certain types of Canadian oil and gas revenue.

9. Share capital

During the period the company issued 1,474,993 common shares as fully paid and non-assessable as part of the purchase from Dinvest Management Limited of the outstanding shares of Dingwall Ford Sales Limited and Windsor Car Rentals Limited. Under the terms of the agreement the total consideration was \$650,000 consisting of \$240,000 in cash and the remaining \$410,000 settled by the issue of the 1,474,993 shares at 28 cents per share resulting in an increase in the discount on shares issued of \$1,064,993.

10. Contingent liabilities and contractual obligations

- (a) The companies have discounted customer sales contracts with finance companies. The maximum liability for losses from repossessions amounted to \$157,428 at December 31, 1971. In this connection an allowance of \$30,762 has been provided for possible losses from repossessions and prepayments, cancellations.
- (b) Under contractual obligations with respect to leased premises the company is committed to aggregate annual rental payments of approximately \$168,000 to 1974, approximately \$164,000 from 1975 to 1978 and approximately \$81,000 in 1979.
- (c) Under a contract providing for general management services to each of two subsidiary companies, these companies are each committed to annual fees of \$90,000 together with a bonus of 20% based upon profits of each of the companies. In the eight month period for Dingwall Ford Sales Limited and the four month period for Sherway Ford Truck Sales Limited ended December 31, 1971, this fee amounted to approximately \$139,000.

11. Restatement of opening surplus

During the current period the company acquired all of the outstanding shares of Dingwall Ford Sales Limited and Windsor Car Rental Limited effective January 1, 1971. Accordingly, the deficit previously reported at April 30, 1971 has been restated to include the combined income of Dingwall Ford Sales Limited and Windsor Car Rental Limited for the four months ended April 30, 1971. The figures other than the deficit previously reported as at April 30, 1971 have not been restated. For presentation of the earning for the full twelve months ended December 31, 1971 including these companies, see the pro forma statement of profit and loss and note 14.

12. Discontinuance of operations of Societe Francaise de Cosmetologie Ltee

During the period Societe Francaise de Cosmetologie Ltee ceased active operations and its remaining inventory was disposed of along with most of its fixed assets. The cost of discontinuing the active operations of the company consisting of the write-off of research and development expenditures, the losses on disposal of fixed assets and inventory and expenses incurred to terminate leases amount to \$56,075 (net of tax recovery of \$23,925).

13. Restatement of comparative figures

The comparative figures on the consolidated statement of income have been reclassified to conform with the presentation adopted for the eight months ended December 31, 1971.

14. Pro forma consolidated statements of profit and loss and source and application of funds.

The pro forma statements have been prepared to show the pro forma combined earnings and source and application of funds before extraordinary items for the full twelve months of the company and all those subsidiaries which were owned and in operation at December 31, 1971. Thus the statements exclude the results of operation and source and application of funds of Societe Francaise de Cosmetologie Ltee. and includes a full twelve months operating results and source and application of funds for the following companies acquired during the year.

- Dingwall Ford Sales Limited (acquired effective January 1, 1971)
- Windsor Car Rental Limited (acquired effective January 1, 1971)
- Sherway Ford Truck sales (acquired effective September 1, 1971)

Income taxes have been provided at normal rates.

The costs and expenses have been adjusted to include management charges (amounting to \$274,000) and interest on long term debt for the twelve month period to the extent that such charges would have been incurred if the subsidiary companies Dingwall Ford Sales Limited, Windsor Car Rental Limited and Sherway Ford Truck Sales Limited had been acquired as of January 1, 1971 and all related agreements came into effect at that time.

Sales and other revenue have been adjusted to exclude non-recurring capital gains.

15. Earnings per share

The earnings per share figures are calculated using the weighted monthly average number of shares outstanding during the respective fiscal years.

